

Docket No. RM2012-8

¹ Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposals Eight and Nine) (September 28, 2012) (Petition).

function. Those costs have therefore been included among the “modeled costs” for purposes of the CRA adjustment. The Postal Service now proposes to exclude those costs from the CRA adjustment. The reasons given are that:

The cost of PO Box distribution is unlikely correlated with preparation characteristics, and even if it were, it is not possible to measure PO Box incidence across piece presort level.

Petition at 11.

The Postal Service goes on to state that because it now is possible to isolate PO Box costs from other costs, it is time to exclude them from the CRA adjustment. *Id.*

For the following reasons, Time Inc. disagrees with this proposal.

First, PO Box distribution is performed for certain flats as an alternative to carrier delivery. A flat that is addressed to a PO Box will not incur delivery costs, and, conversely, a flat that is delivered by a carrier will not incur PO Box distribution costs. In its normal use of the flats model, the Commission considers the total of modeled mail processing costs *and* delivery costs in order to determine whether the price differential between different levels of mail preparation exceeds the cost differential between them. It would be inappropriate in such a comparison to exclude costs that are incurred by some flats but not by other flats.

Second, now that Periodicals and other flats mailers are providing the Postal Service with mail.dat files that include details on every piece in each mailing, it is hard to believe that it would not be possible, based on such mail.dat information, to develop precise information about PO box incidence across presort levels.²

² In its discussion of proposed Modification 3 (enhanced reject flows) the Postal Service

[footnote continues]

Third, a limited experiment by Time Inc., summarized in the table below, examined the presort characteristics of the November 5 issue of People magazine. The results appear to refute the assumption that “PO Box distribution is unlikely correlated with preparation characteristics.” In fact, while 64.7% of People magazine’s volume is carrier route presorted, with another 22.83% in FSS bundles, only 4.12% of the pieces addressed to PO Boxes are in carrier route bundles. Stated differently, there appears to be a very high correlation between PO box distribution and preparation characteristics, contrary to the Postal Service’s assumption.

Table 1: Presort Level For One Issue of People Magazine, In Total And For PO Box Pieces				
	All Pieces		PO Box Pieces	
	Pieces/Issue	Percent	Pieces/Issue	Percent
MADC	1,492	0.05%	85	0.07%
ADC	7,600	0.27%	201	0.16%
3-d	86,364	3.05%	23,056	17.87%
5-d	257,851	9.10%	95,742	74.20%
FSS	646,988	22.83%	4,629	3.59%
CR	1,833,360	64.70%	5,321	4.12%
Total	2,833,655	100.00%	129,034	100.00%

For the above reasons, we believe the proposed change should not be adopted. When the Postal Service has determined, based on a much broader set of data than in the limited Time Inc. experiment described above, what the relationship between PO Box incidence and presort level really is, it will be possible to improve

describes another application of the mail.dat PDR (piece detail record) files it now is collecting from some mailers.

on the current model, not by excluding PO Box costs but by distributing them explicitly, according to their incidence at each presort level.

Respectfully submitted,

s/
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